new; any doubt about its completeness destroys its utility. It is easy enough to see, in the manufactories, almost all the processes, and in the shops, almost all the products. The very use of the museum is to give absolutely all. So far as they go, the manufactories and the shops are vastly superior to any formal exhibition. Machines should be seen at real work, not at make-believe. Manufactured articles must be handled, smelled at, tasted, — not merely looked at in a glass case. A wine-grower would hardly think of studying his trade by looking at the labels of a long row of sealed bottles, standing in a museum.

The plan itself, we believe, was simply, clearly, one impossible to execute, — one that no manufacturer, no person who knew what manufactures really are, in extent and amount of detail, would ever for a moment have supposed to be possible.

ART. V. — 1. *Speech delivered in the Senate of the United States, on the Coinage and Seigniorage Bill.* By R. M. T. HUNTER, Senator from Virginia. Washington. 1852.

2. *Speech delivered in the House of Representatives in Congress, June 15th, 1852, against an Amendment proposed to the California Mint Bill, for charging a Seigniorage on the Coinage of Gold; and a Report on the same Subject.* By JAMES BROOKS, Representative from New York. Washington: Published in the National Intelligencer.

3. *The Banker's Magazine and Statistical Register.* Edited by J. SMITH HOMANS. Volume VI., from July, 1851, to June, 1852, inclusive. Boston: Crosby, Nichols & Co. 8vo. pp. 1020.

IT is now generally admitted, that we are on the eve of a great revolution in the commercial world, to be caused by a considerable decline in the value of money. The precious metals, after maintaining a nearly uniform value for over two centuries, are now, owing to a sudden

and immense increase of the supply of gold, to undergo a great change, not only in their relation to each other, but in their value as compared with that of all other commodities in the world. This change is not to be a merely nominal one. It might seem, indeed, that, as the precious metals are a universal measure of value, any depreciation of them would amount only to a general rise of prices, all commodities being affected in precisely the same ratio, so that their relation to each other would remain unaltered. This is true; such a change would not benefit or injure any one. But all stipulations for the payment of money at a future day will be really affected to the full extent of the change which the precious metals may undergo while the contract is outstanding. A single instance will enable us to see the vast importance, in this respect, of a depreciation in the value of money. The national debt of Great Britain, that great incubus which has been supposed to be immovably fixed upon the shoulders of the nation, and which has been properly regarded as putting the English people under very heavy bonds to keep the peace, as any considerable enlargement of it by another war would make the burden wellnigh intolerable, — this mountain of debt, should the expected change take place, will shrink into a molehill. It may all be paid off in a few years, with as little effort as it now costs to pay merely the interest. A revolution which will have this effect, and a proportional one on all other contracts to deliver money at a future day, may well be considered a momentous one.

But though the fact that such a revolution is at hand is now generally admitted, people have very vague ideas about its nature and probable extent, and about the measures which ought to be taken to prepare for it and mitigate the shock. It may be worth while, therefore, to consider the subject at some length, especially as it affords some beautiful illustrations of the theory of money. The first points to be considered are, the probable extent of the depreciation, and the time within which it may be expected. Fortunately there is one example on record of a perfectly similar change, the study of which will throw great light upon the present inquiry. We refer, of course, to the depreciation in value of the precious

metals which took place over two hundred years ago, in consequence of the vastly increased supply from the mines of South America and Mexico.

We do not need to know the whole amount of gold and silver which was actually in use in the world, either as coin, plate, or articles of luxury, before the discovery of America. It is a well-ascertained principle in political economy, that the permanent or average value of a commodity depends, not on the larger or smaller stock of it which men possess, but on the average cost of its production. If the stock is ever so large, the value of it cannot *permanently*, or for a long period of years, fall below this cost of production; for, as the labor of obtaining more would not be remunerated, no more would be produced; and the constant consumption would steadily diminish the stock, till the value of what remained would rise high enough to pay the laborer for the effort of procuring a fresh supply. On the other hand, if the stock is ever so small, no one will pay more for any portion of it than it would cost him to raise or manufacture the article for himself. There may be slight fluctuations of price, depending on the fluctuating ratio of the supply to the demand; but the steady average value, the point about which the price oscillates, never departing far from it in either direction, is the average cost of production.

It is important to recollect this, as some have supposed that the great addition to the stock of gold, made by the supply from Russia, California, and Australia within three years, must cause an almost immediate depreciation of its value. But till it is ascertained that this is a permanent increase of supply, and that the newly-discovered auriferous districts will continue for many years to yield as much as they have done during the past twelvemonth, so as to affect the *average* cost of production, the change of value must be quite small.

But this point will be considered hereafter. We have adverted to it now, only to prove that the laborious and ineffectual calculations, which some have made in attempting to ascertain how much gold and silver existed in the world before the American mines were worked, are not needed. It is enough if we can form some estimate, though a very vague one, of the average annual

product of these metals during the Middle Ages, and down to the time of Columbus. The data are few and uncertain; but they allow us to say very positively, that the average annual supply did not then exceed three millions of dollars.*

How much was this increased by the supplies from America during the sixteenth and seventeenth centuries? Humboldt is here the only authority generally relied upon; and as he made very extensive and laborious investigations, was well acquainted with all that had been written upon the subject, had ready access to official sources of information unknown to former writers, was well versed in the theory and practice of mining, and critically examined some of the most celebrated mines, it is probable that his statements are a very near approximation to the truth. He tells us that the annual supplies of the precious metals obtained from America were as follows.

	Dollars a year on an average.
From 1492 to 1500	250,000
" 1500 to 1545	3,000,000
" 1545 to 1600	11,000,000
" 1600 to 1700	16,000,000
" 1700 to 1750	22,500,000
" 1750 to 1803	35,300,000

We see, then, that in the first half of the sixteenth century, the supplies from America had doubled the annual product. In the latter half of this century, they rendered it nearly five times as large. In the seventeenth century, it became over six times, and in the eighteenth, over eleven times, larger than it was before 1500. The great increase in the latter half of the sixteenth century was owing to the discovery of the mines of Potosi, which were first systematically worked in 1545.

How great and how rapid a depreciation of the value of money was caused by this vast increase of supply? Here, again, the means for forming an opinion are very imperfect, being chiefly an extensive and laborious comparison of the prices, at different periods, of certain leading commodities, which are in uniform and perpetual de-

* As late as 1800, Humboldt estimates that all the European and Asiatic mines did not yield annually more than five millions of dollars.

mand. The staple articles of food, such as grain and meat, are the best for this purpose, as it may be presumed that they are not often produced in larger quantities than are wanted, and as nearly the same amount of labor is required for the production of a given quantity of them in one century as in another. If a genuine record can be obtained of the prices actually paid, at one place, for such articles for a long series of years, the variations, if any, in the value of the precious metals during those years may be deduced from it, allowance being made, of course, for any alterations of the quantity of pure metal passing under the same denomination of coin, and for the state of the coinage, whether worn and clipped, or fresh and perfect. Such a record is found in the accounts of Eton College, and in the lists of prices collected by Bishop Fleetwood and M. Duprè de St. Maur. The conclusions deduced by various writers from these accounts do not agree very well; but the variations do not materially affect the result for the purpose which we now have in view. We select the computations made by Adam Smith, as they were made with great care and knowledge of the subject, and have been generally accepted by later writers on political economy.

Adam Smith says the American mines do not seem to have produced any effect upon prices till after 1570, though the mines of Potosi had then been actively worked for a quarter of a century. Between 1595 and 1620, silver fell to about one third of its former value; and about 1636, it had fallen to one fourth part of that value, where it has remained with little variation almost to the present day. Before 1570, a quarter (eight bushels) of wheat of middle quality was sold in England, on an average of a long period of years, for about *two* ounces of pure silver; about 1600, (still taking an average of many years, so that the very good and very bad crops may offset each other,) the price had advanced to a little over *six* ounces; about 1636, it had risen to nearly *eight* ounces. The present average value of a quarter of wheat in England, since the repeal of the Corn Laws, does not vary much from forty-three shillings, which contain almost exactly eight ounces of pure silver.

Comparing these results with the table already given

of the annual product of the precious metals, we find, 1. *That doubling the annual product of money for half a century had no effect on its value, or did not raise prices at all;* 2. *That making the annual product five times as great had no effect upon its value for five-and-twenty years, after which time, however, the value gradually fell to one third of what it had been;* 3. *That thirty-six years after the annual product had become over six times as great, the value had fallen to one fourth of its former amount;* 4. *That from* 1636 *to* 1846, *two hundred and ten years, the value of the precious metals underwent no material alteration, though meanwhile the annual supply of them had become eleven or twelve times greater than what it had been before the discovery of America.*

Such was the result of the only experiment recorded in history, which enables us to form any conjecture as to the probable effect upon the money market of the vast addition which has been made to the annual supply of gold within a few years by the discoveries in Russia, California, and Australia. To make the comparison clear and obvious, we have stated the results in their broadest form, or with the fewest limitations and doubts; we shall afterwards have considerations to suggest which may materially modify the conclusions to be drawn from this statement. The figures for the other term of the comparison may be found in a former article; but as they are there given only in Troy weight, and with reference to the single question as to the relative value of the two precious metals, it is worth while to bring them together, and state them over again, in Federal money. One pound Troy of *pure* silver equals about $15.57. One pound Troy of *pure* gold is almost exactly $248.00, according to the present value of the eagle.

About the year 1800, the annual supply of gold amounted to $12,648,000, and of silver to $36,289,008; making a total of $48,937,008. There is reason to believe that the large portion of this product, which was furnished by the American mines, was rather increased than diminished up to 1810, when the contest began which finally produced the independence of the Spanish American colonies. The revolutionary troubles, and the proscription of the old Spanish families to whom the

mines chiefly belonged, caused the works in many cases to be abandoned, and there was a great falling off of the product. Mr. Jacob estimated, that, for the twenty years ending with 1829, they did not yield annually over $20,000,000, or considerably less than half of their former product. But he evidently exaggerates the falling off; and the estimate which Mr. McCulloch formed in 1834 may be safely extended to the whole period, making the annual supply from all parts of the earth to be $30,000,000. Soon after 1834, the gold product of the Russian mines and washings began to swell the amount very rapidly, so that Mr. McCulloch affirmed, in 1845, that if the supply from this source should continue a few years longer, it would cause a fall in the value of gold as compared with silver and with every thing else. In 1847, it had raised the annual supply from all parts of the world to $67,000,000, making it nearly one third larger than it had been in 1800. But what was this to the astounding results produced by the discovery of the Californian and Australian gold washings? The estimates already given make the total product of gold for the present year to be $138,384,000, and of silver about, $39,900,000, forming a total of $178,284,000.

Bringing together these amounts, and using the nearest round numbers, as we are dealing only with estimates, we have this table.

	Annual average.
From 1800 to 1809	$49,000,000
" 1810 to 1836	30,000,000
" 1847	67,000,000
" 1852	178,000,000

The supply for the present year, then, is nearly six times larger than the annual product twenty years ago, and about three and a half times larger than the greatest amount obtained in any one year before 1840. As yet, little perceptible effect has been produced upon the market value, because the increase has been very sudden. But even if we allow that the maximum has been obtained, it may reasonably be concluded, should there be no material falling off for five years longer, that there will be a steady but slow depreciation in the value of gold; and should the annual supply be maintained at or near

the present amount for a quarter of a century, money will sink to a fourth part of its former value, if not still lower. There are indications that the maximum has been reached, but as yet there are no tokens of falling off. Notwithstanding the great increase in the number of laborers, the Californian supply this year will hardly, if at all, exceed that of 1851; and then the amount obtained in 1853 from this source will most probably be lessened. The deficiency, it is true, will be made up by the product of the Australian washings, which, so far as we can judge from the result in California, have not yet yielded the largest annual supply of which they are capable. It may be safe to estimate, that, for a few years longer, the increase in one quarter will offset the diminution in the other.

The great difference between the experiment which was tried two or three centuries ago, and that which is now in progress, is, that, in the former case, far the greater part of the addition which was made to the world's stock of the precious metals was in silver, while nearly the whole of the present increase is in gold. And this is a very important difference, as regards the question of the probable long continuance of the enlarged annual product. Silver is obtained by mining, and the veins which are worked are most frequently found to grow richer as they are followed into the bowels of the earth. The expense of working them increases as we descend, but the steadily increasing product is more than an offset for this enlarged cost. Gold, on the other hand, is generally obtained by washing from a superficial deposit of gravel and sand. It is chiefly found in what the geologists call "the drift," and in a stratum of it of no great thickness. Being thus spread out over a great extent of ground, and lying at or near the surface, almost any number of persons can be engaged in obtaining it without impeding each other's operations. If, also, as is the case in California, and to a great extent in Australia, the land in the auriferous district has been but imperfectly, or not at all, appropriated either by individuals or the government, — if it is in the main open to all comers, as the Great Bank is to all fishermen, — then, large as the district may be, it will soon be covered with gold-hunters. The most promis-

ing localities will be quickly exhausted; and then, every year, the labor of gathering the shining dust will increase, and the returns will diminish. The experience of California is conclusive on this point. There can be no doubt that the average gains of each washer are now considerably less than they were two years ago. True, the first search is generally imperfect, and a second washing of the same gravel, with more care and method, may afterwards yield a fair profit. So, also, the solid rock, though it be tough quartz, in which the gold spangles now found in the drift were originally imbedded, may be crushed and ground by heavy machinery, and a supply of auriferous sand and gravel be thus obtained by artificial means, in addition to that which natural agencies have spread out over the surface. So we may not anticipate that the gold-fever will subside as rapidly as it rose, or that the gold-bearing districts will ever be *completely* exhausted. Still, two processes must always be more laborious and expensive than one, and the ground will no longer be open to every comer, though he has no other capital than a stout pair of arms, and a great capacity of enduring fatigue. When the business is all reduced to pounding up primary or metamorphic rocks with machines which are yet to be invented, and to washing gravel for the second time, it is reasonable to expect, that, although capitalists may get a fair return for their enterprise, the steamships will no longer bring home gold at the rate of three or four millions a month.

Taking all these considerations into view, together with the fact that we have now three great gold-bearing regions to depend upon, so distant from each other as Russia, California, and Australia, it will not be deemed incautious to anticipate, that *the annual supply of the precious metals will not fall below a hundred millions of dollars for many years, and that, within a quarter of a century, this supply will depreciate money to one half or one third of its present value.*

Very good reasons have been given why the discovery of the American mines, and the influx into the market of eleven times as much silver as before, did not reduce its value in the same proportion, but only in the ratio of 4 to 1; and why, when the ratio of the quantity of silver to

that of gold was as 45 to 1, the ratio of their values was only as 1 to 15. In commerce and the arts, chiefly on account of its inferior cost, silver has been far more generally in use than gold. It has supplied much the larger portion of the currency of all nations. With some nations of the East, the Chinese for instance, gold is not used at all for this purpose. Even on the continent of Europe, silver is, in many cases, the only legal tender, gold being merely an article of merchandise, which is sold at an *agio* that fluctuates from week to week, though, of course, few people will refuse to receive it in payment. Silver, again, is much in use as plate and for other articles of luxury; all but the very poorest families in this country have at least a few silver spoons; and the aggregate existing in this form, in plate, watches, pencils, &c., probably much exceeds the quantity which circulates as money. Gold is in some use for trinkets, but in very little for plate, except by crowned heads. Silver must always be used for the smaller pieces of money, at least until gold has fallen much below its present value. Our gold dollar piece is inconveniently small, and will not probably come into general circulation, unless there should be some alteration in its form.

The general principle is, that the value of money falls in precisely the same ratio in which its quantity is increased. If the whole money in circulation should be doubled, prices would be doubled; if it was only increased one fourth, prices would rise one fourth. This is not the case with commodities generally, the value of which does not vary in the same ratio with the excess or deficiency of the supply; because the desire, being for the thing itself, may be stronger or weaker, and the amount of what people are willing to expend upon it, being always limited, may be very unequally affected by the difficulty or facility of attainment. But money is desired as the means of purchasing every thing, and the demand for it, therefore, consists of every thing which people have to sell.

The principle, however, even in the case of money, holds good only under the supposition that the quantity of commodities, the number of exchanges, and the number of people having occasion to effect exchanges, remain

unaltered. Otherwise, if there be an increase in either of these respects, the quantity of money being unchanged, the value of that money will rise; or if that money is increasing, the increase in these other respects may neutralize, wholly or in part, the depreciation of that money. This was the case after the discovery of America. There was an immense enlargement of commerce and manufactures at that period, and a great improvement in the modes of living. The discovery of America itself, and of the passage round the Cape of Good Hope, and the colonization of the West by Europeans, greatly enlarged the demand for money. Before 1500, vastly the larger portion of the people were engaged in agriculture; they raised most of the articles which they needed by their own labor, and obtained many others by direct barter. Afterwards, many were diverted into commercial and manufacturing pursuits, and the consequent division of labor greatly increased the number of proper mercantile exchanges. The middle classes now first came into notice as a distinct power in the state. As wealth advanced, luxury grew apace. The actual consumption of the precious metals, by abrasion of the coin, the wear of plate, lace, and trinkets, by plating and gilding, and by losses through shipwreck or fire, became considerable.

It is easy to perceive why, under such circumstances, the supply having become eleven times as great, the value fell only to one fourth of what it had been. On the other hand, why the value did not advance again, in the century during which the supply was nearly stationary, though commerce, wealth, and luxury were still rapidly increasing, is a point which requires explanation. But as society advances, means are discovered for economizing the use of money. The vast extension of credit; the establishment of banks, and especially of savings' banks, which bring together and keep in active use a vast number of small sums, which would otherwise be hoarded or lie dormant in the hands of individuals; the circulation of bank-notes, checks, and bills of exchange, which perform nearly all the functions of money; and, more than all perhaps, the introduction of accounts current among traders, by which purchases are set off against sales, and commodities are thus virtually bartered for commodities,

money being needed only at the final settlement, and then only to a trifling amount, — all are expedients for completing exchanges without the actual transfer of coin. Only the rapidly extended use of these expedients could have prevented a considerable rise in the value of money, and consequent fall of prices, between 1810 and 1840, when the annual supply of the precious metals was much diminished, and the operations of commerce greatly enlarged.

Is it probable that the effect of the present vastly increased supply of the precious metals will be, to any considerable extent, retarded or neutralized by an increased demand for money, through the growth of luxury and trade? We see no circumstances likely to produce this result, except the colonization of the gold-bearing regions themselves; and even this can have comparatively little influence. These countries, it is true, are very distant from the world's great centres of commerce and wealth, and their population grows with marvellous rapidity. In all distant colonies, and especially in those formed under the excitement of searching for gold, the various expedients for economizing the use of money are slowly introduced and imperfectly developed. Time is needed to import the machinery of banking and all the refinements of trade, and especially for the establishment of confidence in the community, so that large operations can be conducted upon credit. For many years, at least, California and Australia must use chiefly a hard money currency, while large amounts of bullion will be *in transitu*, — wandering about, as it were, from one country to another, to find where they will be of most value, — before they pass into active circulation as currency. But these circumstances can impede the result only for a few years; they cannot materially lessen or weaken it. Perfect as the machinery of trade now is, and perfectly as it is understood, no country which is colonized by commercial nations can remain far behind the mother land in the use of money-saving expedients. It seems most probable that the general principle will hold, that the value of money will fall in the same ratio in which the average annual supply of it is increased.

Leaving all these preliminary considerations, then, we come to the main question; — Is there any thing in the

prospect of a great decline in the value of money to create serious uneasiness and alarm? We suppose that the decline will be gradual, that it will be spread over many years, that at least a quarter of a century must elapse before it can be completed. There will be a rise in the prices of all commodities, with a corresponding increase in wages and salaries. Labor will be higher paid, both because it will be more productive, or in other words, the articles it produces will have a greater nominal value, and because the cost of living will be greater, so that, if wages and salaries did not rise, the labor could not be had. The rise of prices being general, will consequently be only nominal; that is, one commodity may be bartered for another on just the same terms as before. If, now, when flour is five dollars a barrel, it takes five barrels of flour to buy one coat, after money has fallen to one half of its present value, the coat can still be had for five barrels of flour; but it will then be said to be worth fifty dollars, and the flour to be ten dollars a barrel, instead of five. In this narrow view of the subject, therefore, or so far as this effect extends, no one will be directly benefited, and no one directly injured.

With respect to outstanding obligations, or contracts to deliver money at a future day, the case will be different. If I borrow one hundred dollars at a time when that sum will purchase twenty barrels of flour, or an equivalent amount of other commodities, and am not called upon to repay it till money has so far fallen in value that the sum will buy only ten barrels, the debt is really cancelled by returning only one half of the value which was borrowed. To this extent, therefore, every one will be benefited so far as he owes money, and will be injured so far as he has money to receive. But in either case, he will be affected only by the amount of the depreciation which takes place in the interval between the contraction of the debt and its payment. If twenty-five years elapse before the depreciation is completed, and if it take place uniformly, or at the rate of two per cent. a year, then all promises to pay, which have not more than a year to run, will not be affected to the extent of more than two per cent. Now, vastly the larger number of contracts that are made in the ordinary course of busi-

ness, are completed within the year; they will not be so much affected by the general decline in the value of money as they often have been by the common fluctuations of interest, and by changes in the price of particular commodities. Often, within the last ten years, money has been borrowed when the current rate of interest did not exceed five per cent. a year, and the time of repaying it has come when it could with difficulty be had at one per cent. a month. We may say, generally, then, that all the common transactions of business will not be sensibly affected by the great change which is in prospect.

But all fixed money payments which are now contracted for, and have many years to run, will be seriously affected by the coming alteration; that portion of them which extends over a full quarter of a century, will experience the full effect of it. All government stocks, and other stocks yielding a fixed rate of interest, and not bearing any obligation to be paid off in a few years, all bank stock, and other permanent investments of money yielding income only under the form of interest, and all property let on long leases at a fixed annual rent, must decline in value with the money which they represent. Such stocks, and the property also, if the lease be a perpetual one, when the depreciation is complete, will possess only half their present *relative* value. The nominal income yielded by them will remain the same, but it will only purchase half as many commodities as before. There will be no actual loss to the community, for what one loses, another gains. The British tax-payer, for instance, will profit by the whole amount of the British fundholders' loss. As the depreciation goes on, taxation may be extended *pari passu*, without throwing any additional burden upon the community; and a sinking-fund, formed out of the surplus thus obtained, would pay off the national debt in less than one generation. As such stocks, moreover, are transferable, and frequently pass from hand to hand, the total loss upon any portion of them will seldom fall on one person; it will be divided among many, and thus be distributed among the wealthier portion of the community, who, profiting in their capacity as tax-payers by the depreciation which occasions this loss, will have no great reason to complain.

Life annuitants, persons who have insured their lives, mortgagees on long periods, and those who have let property on permanent or long leases, will be almost the only class compelled to bear the loss without any direct compensation or means of escape. The funds of public institutions and of individuals, which exist in the form of floating capital, or what is usually called "money at interest," will, of course, suffer the full effect of the depreciation; but, as the ownership of real estate is commonly connected with the possession of such funds, and as the value of real estate will rise even in a higher ratio than the prices of commodities, owing to the general eagerness to secure the only form of permanent investment which will not be affected by the decline in the value of money, the loss in this case will not be generally without compensation.

The rates of interest cannot be directly altered by the change. If gold sinks to half of its present value, the $100 of principal, and the $6 of annual interest for it, will be affected in precisely the same ratio; both sums will purchase but half as much of any given commodity as can now be obtained for them. Being affected in the same manner, and to the same degree, their relation to each other will remain unaltered. Indirectly, however, a slight diminution in the rates of interest will probably be produced. The great addition to the stock of the precious metals will appear, at first, in the form of floating capital, seeking investment; it will swell the specie reserves of the banks, making them eager to extend the circulation of their notes. Thus, until the prices of commodities begin to be sensibly affected, there will be more lenders than borrowers, and money will be offered at a lower interest. This is the case even now. In consequence of the influx of gold, the specie reserves of the banks are distended to repletion. The Bank of England has the enormous sum of twenty-two millions sterling in its vaults, or nearly 110 millions of dollars, which is about double the amount that is usually considered a safe basis for its circulation. On the strength of this large reserve, its charter allows it to issue in bank-notes thirty-six millions of pounds sterling; but all its efforts cannot raise the active circulation over twenty-three millions. The Bank of France, also,

has specie to the amount of 120 millions of dollars, or far more than it needs. Our own Sub-Treasury, or government Exchequer, has about seventeen millions; and our banks have more than they know what to do with. Supported by these heavy amounts of specie in their vaults, the banks of England, France, and America might safely increase their issues of notes to a very great extent; and they must so increase them, or their profits will be much diminished. Accordingly, they press more accommodation upon their customers, and money is offered at very low rates. Everywhere there appears to be a superfluity of currency, or of money seeking investment, which must soon produce its usual results. A speculating fever cannot be long delayed, and then will come the rise of prices, and the old rates of interest will be restored.

It is only the coin in active circulation which operates directly upon prices. What is in the vaults of the banks is dormant in this respect, its office being only to guard the really active portion of the currency against frequent and sudden fluctuations. The effects of an influx or efflux of the precious metals are first felt on these bank reserves, which so far retard or deaden the shock, that it is not even perceptible by the community at large till the increase or drain has become very serious. Then, even the banks begin to feel the pressure. After an unnatural inflation of prices by a speculating fever, the heavy importations of goods, and consequent heavy exportations of specie, so far diminish these specie reserves, which are their ballast, that they find they must furl sail, or contract their paper issues, if they would not be thrown on their beam-ends. On the other hand, an anomalous state of things, like that which now exists, creating an immense influx of specie, they find their ballast so much increased that the motion of the vessel has become sluggish, and they cannot force their way through the water unless they spread more sail, or induce their customers to borrow a larger amount of bank notes. To change the figure, our specie reservoirs are all full now, and they must soon find vent, and pour out their fertilizing streams over the country.

It may seem strange, that, as the spirit of speculation has usually been rife when but slight temptation was

offered, it should now show itself so dull, though there is a moral certainty that there must soon be a general rise of prices. The reason is, that the prospect of a general and gradual rise of prices does not tempt men into hazardous enterprises so strongly as the chance of a sudden and great enhancement of the price of one commodity or several. The report of a war with China may double or triple the price of tea in a month; or a rumor of the potato-rot and a failure of crops in England may create a fever almost instantaneously in the flour market here in America. But a gradual enhancement in the money value of all commodities will not tempt men to purchase largely on borrowed capital. There may be brief and violent fluctuations in the relative value of particular commodities, while the great movement is silently going on, which slowly enhances the value of all. It is conceivable, and even probable, that the first effect of this abundance of capital seeking investment, and the consequent diminution of the rate of interest, will be to lower the prices of many commodities, instead of raising them, because these circumstances aid and stimulate production. More cotton will be spun, because it will be more easy to obtain capital wherewith to build manufactories and keep them in operation.

It may be readily inferred, from what precedes, that, far from regarding a considerable decline in the value of money, when produced by natural causes, as a calamity, we consider it as a blessing. It will greatly alleviate the burden of taxation in many states that are now oppressed by a heavy national debt. Private debts, as well as public, will become easier to bear; they will be subject to a steady process of abatement, too slow, and compensated in too great a variety of ways, to occasion any serious loss to the creditor, and still affording a sensible relief to all who have payments to make. The greater proportion by far of fixed payments is made by those who are engaged in business or industrious undertakings, to those who are enjoying leisure and wealth. Thus, the relief and the encouragement come to the more active and industrious classes, while the loss, small in proportion, falls upon those who are most able to bear it. The increasing abundance of money, and the steady rise of

prices, stimulate all forms of industry and enterprise. As the operations of trade and manufacture are quickened, wages tend to rise even in a higher ratio than the prices of commodities. Thus the condition of laborers is ameliorated, and the inequality in the distribution of wealth, which is the great misfortune of the most prosperous nations, is slowly diminished. Hume, long ago, remarked that, "in every kingdom into which money begins to flow in greater abundance than formerly, every thing takes a new face; labor and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention. But when gold and silver are diminishing, the workman has not the same employment from the manufacturer and merchant, though he pays the same price for every thing in the market. The farmer cannot dispose of his corn and cattle, though he must pay the same rent to his landlord. The poverty, beggary, and sloth that must ensue, are easily foreseen." Even so cautious and conservative a writer as McCulloch fully admits the truth of this view, though he adds the obvious and just qualification, that the fall in the value of money, which is to be advantageous to a country, must proceed from natural causes, and not be an intentional reduction by the authority of the state. Apart from the obligation to act with good faith and equal justice to all classes, which is incumbent upon every government, it is obvious that any measure, having this end in view, would occasion a great shock to public and private credit, and cause a large amount of capital to be transported to other lands as to places of security.

Those who were apprehensive that a decline in the value of money, produced by the increased supply of the precious metals, would derange the operations of business, and destroy large amounts of wealth, may console themselves by remembering that England, France, and the United States have, at no remote period of their history, passed, without any very serious consequences, through crises similar in character, but more violent and sudden than that which is now in prospect. In May, 1837, all the banks in the United States suspended specie payments; and the immediate consequence was a depreciation of

their paper, or a rise of specie to a premium, differing in amount in the various States according to the various degrees of solvency of their respective banks, but of which the average for the whole country was at least 12 per cent. The inevitable result followed, that specie disappeared from the circulation, and all obligations were discharged in paper, — that is, by the payment of 88 cents on the dollar. If a person lent $1,000 in April of that year, to be repaid in June, he lent what was in fact 1,000 silver dollars, each worth 100 cents, and received back 1,000 paper dollars, each worth only 88 cents. The event, of course, was an act of national and universal bankruptcy, every creditor receiving, for an entire discharge of his debt, only about seven eighths of what was due to him. The United States government alone, in the exercise of its prerogatives as sovereign, refused to submit to this loss, and obliged all its debtors to pay specie; — an act of strict justice, it is true, but one which caused it a greater loss by bad debts than it would have suffered by consenting to share the loss equally with the community.

This alteration in the value of the currency was far more violent, and more sweeping in its effects, than that which we have now to expect. It was a depreciation of 12 per cent., and as it took place at once, it literally affected *all* debts which came due while it continued. But a gradual depreciation of two or three per cent. a year will have scarcely a perceptible influence on the great bulk of business transactions, which involve obligations to pay that have only a few months to run. It is more important to observe, that the suspension itself, or the acknowledgment of the depreciation of the currency, which, in truth, had already taken place, was felt as a relief. It had been preceded by a period of advancing prices, great activity in commerce and manufactures, and universal prosperity. These high prices could not be maintained, because the inflation of the currency had been unnatural, and was, therefore, temporary. The suspension came, not because the currency had expanded, but because it could not expand any further, — because there were not gold and silver enough to maintain it at the point which it had reached. The distress was caused, not by the decline

in the value of money, but by its advance, — by the contraction of prices, and the restoration of things to the old standard. It was felt, not when a debt of 100 dollars could be paid off by 88 dollars, but when a debt contracted by receiving virtually only 88 dollars had to be discharged by paying 100. As no such reaction or collapse can follow, when the rise of prices has been occasioned by a natural cause, that is, by the augmented supply of the precious metals, we shall have, in the case before us, the period of prosperity, and a long one too, without being obliged to pay bitterly for it afterwards.

It was just so during the suspension of specie payments by the Bank of England, that began in February, 1797, and continued till 1819. The depreciation, which was very gradual for a few years, rose suddenly, in 1810, to 13 per cent., and attained its maximum in 1814, when it was 25 per cent. Mr. Pitt, who at first regarded the suspension with great anxiety, came afterwards, it is said, to be as much delighted with it as if he had found a mountain of gold. And well he might be delighted. It was this depreciation of the currency which carried England triumphantly through the war, — which enhanced rents and profits, gave unprecedented activity to manufactures and commerce, kept the laboring population employed, and therefore quiet, enabled the government to raise enormous loans without difficulty, and made the people bear, with ease and cheerfulness, an amount of taxation which they can now hardly contemplate without shuddering. "It is undeniable," says a very well-informed writer, "that during the greater part of that period (from 1793 to 1814) the trade of the country was in a state of unexampled prosperity. In no twenty-two years of our history, of which we have authentic accounts, has there ever been so rapid an increase of production and consumption, as in the twenty-two years ending with 1814." It is not going too far to say, that, without the high prices of those years, Wellington could not have driven the French out of Spain, or triumphed at Waterloo. The dark hour came, when, after the close of the war, it was thought necessary to take measures to contract the currency, restore the former value of money, and submit to the consequent fall of prices. "In whatever degree

minor circumstances may have coöperated, the great and mighty source of the distresses felt by all classes of producers has been the transition that took place at the termination of the war, — the transition from an immense, unremitting, protracted, effectual demand for almost every article of consumption to a comparative cessation of that demand." "There was," adds Mr. Tooke, "from 1814 to 1816 (a period of rapid contraction of the currency) a very general depression in the prices of nearly all productions, and in the value of all fixed property, entailing a convergence of losses and failures among the agricultural, and commercial, and manufacturing, and mining, and shipping, and building interests, which marked that period as one of most extensive suffering and distress."

By a very natural association of ideas, the years marked first by a great decline, and then by a rapid restoration, of the value of money, come to be remembered only as one period, or complete cycle, of great prosperity followed by still greater depression and distress; and men naturally shrink from so cruel an alternation. They forget that the prosperity alone is consequent on the depreciation of the currency, and if this depreciation could continue, or become permanent, no reaction, no distress, would succeed. It was such a permanent decline in the value of money which caused the marvellous development of the wealth and material prosperity of England, that took place during the reign of Elizabeth; and it is to a decline equally permanent, and perhaps equally great, that we have now to look forward. Surely, there is nothing in such a prospect to create agitation and alarm. We know not what political troubles may grow out of this grand monetary revolution, or that it will have any political effect whatever; but industry, commerce, and the arts have nothing to fear from it, but every thing to hope.

Coming down again to particulars, it is an obvious remark that the decline in the value of money must be indicated by a variation in the relative values of gold and silver, as the increase in the annual supply is almost exclusively of the former metal. This variation will enable the legislature, from time to time, to determine the

amount of the depreciation which has taken place, and by such enactments as the New Gold Bill, passed in 1834, and the bill which is now pending before Congress, to adjust the state of the currency to the new values of the precious metals. One reason why such a variation has not already become more manifest, may be found in the change which is now going on in the currency of France. The circulation in that country was almost exclusively metallic, as the only bank bills were of a very high denomination; and, till recently, it has consisted for the most part of silver, gold bearing an *agio* of about seven in a thousand, and therefore not coming into general use. But the influx of gold from Russia and California has now reversed this state of things. The French mint has coined a very large amount of gold during the last two years, which has entered rapidly into circulation, displacing an equivalent amount of silver coin, which has been melted up and sent abroad. It is estimated, by well-informed French and English writers, that the silver thus set free in France alone amounts to thirty millions of dollars. To this must be added a very considerable supply from this country, obtained in a similar way, — as we know from painful experience, our American silver coins, of full weight, having generally disappeared, their place, for purposes of change, being supplied by the worn and clipped Spanish pieces. If the specie reserves of our banks could be examined, which, only four years ago, contained a large proportion of silver, they would probably be found to be composed, in a great measure, of gold. If the United States have set free, in this manner, only fifteen millions in silver, which is a very safe estimate, we have an aggregate, from these two countries, of forty-five millions added to the general stock of silver, which is enough to prevent it as yet from rising materially in value in its relation to gold.

The variation in the relative values of gold and silver, then, will indicate, *in part*, the decline in the value of money; but, if a change be not made in the mint regulations of France and the United States, (and, at a later day, of Great Britain,) it will *not* indicate *the whole* of such decline. For, as gold continues to depreciate, *all* the silver will otherwise be driven out of the currency; and

the quantity of silver, thus set free, will depreciate its value also, *though* not in the same ratio as that of gold. But a change must be made in the mint regulations, since we cannot do without silver for purposes of change. The question then arises, — and it is a very important one, — how the alteration in the coinage shall be made? Shall it be by adding to the quantity of gold, or by diminishing the quantity of silver, which now passes for a dollar? If the former course be adopted, the value of money may be kept in great part unaltered, the depreciation in the value of gold being obviated by the increased quantity of it which passes under the old denomination. If the latter course be preferred, money will fall in value as rapidly as the worth of gold is depreciated. In either case, frequent changes of the mint regulations will be necessary. If, for instance, gold is now worth three per cent. less, when compared with silver, than it was four or five years ago, the quantity of gold contained in an eagle must be increased three per cent., or the quantity of silver contained in a dollar must be diminished three per cent. In either case, the relative value of the two precious metals still tending to change, the operation in a year or two must be repeated. The matter might be simplified, it is true, by giving up the double standard, and using in future but one metal for coinage. Thus, we might coin gold only, and at the present rate, putting 232.2 grains of pure gold into an eagle, or 23.22 grains into a dollar, and allow silver to be bought and sold only as bullion, or at whatever rate it might command in the market per ounce, Troy weight. Or, gold coins might be dispensed with, and only silver allowed to circulate as currency, and at its present rate, of 371.25 grains to a dollar. In this case, as so much more silver would be needed if all money was to be composed of it, its absolute value would probably be enhanced; it would be worth more, not only in relation to gold, but in relation to all other commodities.

The question which we are now considering is not one of mere convenience or expediency; we must also see what abstract justice requires in all dealings between debtors and creditors. Those who are in favor of increasing the quantity of gold, rather than of lessening

the quantity of silver, which now passes for a dollar, may argue very plausibly, that a debt ought to be cancelled only by the payment of money equal in value to that in which it was contracted. If I have borrowed one thousand silver dollars, or something which could readily be exchanged for one thousand *silver dollars*, I ought not to be allowed to cancel the debt by paying one thousand *gold dollars*, after gold has fallen to one half of the value which it had when I obtained the loan.

This argument is plausible, but it is insufficient. All mercantile contracts must be construed literally, or must have a specific performance. The law never undertakes to guard either party against the evil consequences to himself of a change of values which he has not foreseen. Such changes are very frequent in mercantile transactions, and the maxim, *caveat emptor*, applies to them all. If I pay one thousand dollars now, for two hundred barrels of flour to be delivered three months hence, and if the price of flour falls meanwhile to four dollars a barrel, I must not expect that one fifth of the purchase-money will be paid back to me; and if the price, on the other hand, rises to six dollars, the seller cannot require me to make up the difference. Each party must bear the consequences of his bargain, and of his own want of foresight. In like manner, if a landholder leases an estate for twenty years, at an annual rent of five hundred dollars, he cannot rightfully demand compensation, nor can the lessee ask an abatement, if, in the course of those twenty years, the value of the dollars should be altered by circumstances over which neither party had any control. According to the state of the law at the time when the lease was made, the annual payment was to be *either* five hundred times 23.22 grains of pure gold, *or* five hundred times 371.25 grains of pure silver. It was a part of the contract, that the lessee should have the option of paying his rent in either of these forms, the two metals in these proportions being both legal tender. It is the misfortune of the lessor, but certainly not the fault of the lessee, if, when the rent becomes due, the 23.22 grains of pure gold will no longer purchase so many commodities as before. The latter cannot, therefore, be obliged to pay silver; for he bargained to pay gold, if he saw fit. If, in-

deed, the government should arbitrarily "raise the standard," as it is termed, or decree that the dollar should in future contain only 200 grains of pure silver, instead of 371.25 grains, equity, if not law, would require the lessee to pay his rent in coins of the old standard, or their equivalent; for the spirit, if not the letter, of his covenant is, not to pay what *may be called a dollar* at any future time, but what was really accounted to be a dollar at the time when the bargain was made. It is but another application of the same rule of equity, to say, that he shall not be held to pay 40 grains of pure gold for a dollar, when he covenanted to pay only 23.22 grains.

Apart, then, from all considerations of expediency, it would be an obvious violation of justice, to seek, by any change in the regulations of the mint, to prevent the present and expected depreciation in the value of gold from affecting the value of money, whether silver or gold, in all countries where a double standard exists. Mr. Brooks, of New York, has made an elaborate speech and report in Congress against the new Coinage and Seigniorage Bill, which, so far as it relates to this subject, is wholly sophistical and unsound. The bill had been prepared in conformity with an able report from the Director of the Mint, and a strong recommendation from the Secretary of the Treasury; and after a very able speech in its favor from Mr. Hunter, of Virginia, it had passed the Senate by a unanimous vote. It provides, that the silver half-dollar, instead of $206\frac{1}{4}$ grains of standard silver, one tenth being alloy, which is its present weight, shall contain but 192 grains of such silver, — the quarter of a dollar, dime, and half-dime being reduced in the same proportion. In other words, the silver dollar is to contain, in future, only 345.6 grains of pure silver, instead of 371.25 grains, as at present, the reduction being about 7 per cent. As silver is undervalued in our own present coinage only about two per cent., this reduction of the quantity of it contained in a dollar overvalues it *for the present* about five per cent. To prevent the new silver coin from driving the gold coin out of the market, therefore, the bill further provides that the new coin shall be legal tender only to the amount of five dollars, and prohibits silver from being deposited at the mint for coinage, except by the Treasurer of the Mint, or under authority of the United States.

The object of the bill, therefore, is to introduce into this country the system of coinage which has been tried in England for over thirty years, and has been found to answer excellently well, especially during the last two or three years, when it has obviated the difficulty that would otherwise have arisen from the varying ratio of gold to silver. The English system is explained by McCulloch as follows.

"From 1666 down to 1817, no seigniorage was charged on the silver coin; but a new system was then adopted. Silver having been underrated in relation to gold in the mint proportion of the two metals fixed in 1718, heavy silver coins were withdrawn from circulation, and gold only being used in all the larger payments, it became, in effect, what silver had formerly been, the standard of the currency. The act of 56th George III., regulating the present silver coinage, was framed, not to interfere with this arrangement, but so as to render silver entirely subsidiary to gold. For this purpose, it is made legal tender only to the extent of 40*s.*; and 66*s.*, instead of 62*s.*, are coined out of a pound Troy, the 4*s.* being retained as a seigniorage, which, therefore, amounts to $6\frac{14}{31}$ per cent. The power to issue silver is vested exclusively in the hands of government; who have it, therefore, in their power to avoid throwing too much of it into circulation, and, consequently, to prevent its fusion, until the market price of silver shall have risen to above 5*s.* 6*d.* an ounce."

"Under these regulations," adds McCulloch, in another place, "silver has ceased to be a standard of value, and forms merely a subordinate or subsidiary species of currency, or change, occupying the same place in relation to gold that copper occupies in relation to itself. This system has been found to answer exceedingly well." Our copper coins, like those of England, are rated about 75 per cent. above their real value; but as the government alone determines how many of them shall be issued, and as they are legal tender to the extent only of the smallest silver coin, this over-valuation is not productive of any bad effect. As no more of them are issued than are needed, they do not tend to fall below their nominal valuation, they cannot be exported or melted up without great loss, and the coinage of them affords a considerable profit to the government. About $1,300,000 worth of them have been issued in this country, nearly three fourths of which sum is clear profit.

Should the new Coinage Bill pass, the profit on the manufacture of silver coin, though much smaller in rate, will be greater in amount. For a while, it will probably defray the greater part of the expense of our whole coinage. We shall have an abundance of perfect American coin, for the purposes of change, instead of the miserably worn and defaced Spanish pieces which are now current. The over-valuation of the new silver coin, which will be for the present only about 5 per cent., will prevent it from being exported or melted up, while it will not be large enough to afford any temptation to the counterfeiter. It will also prevent, for at least two or three years to come, the currency from being disturbed by the depreciation of gold which is now going on; and it will also supply an accurate measure of that depreciation, so far as the relative value of gold and silver is affected by it; for as soon as the new silver coin begins to disappear, it will be a proof that gold has fallen at least 5 per cent. below its present relative value. The depreciation of silver will not be excessive, as the relative value of silver to gold in the English coinage has been, for over thirty years, as 1 to 14.288; while in this country, it will be 1 to 14.884. The relation in our present coinage is as 1 to 15.988 ; in France, it is as 1 to 15.499. Their true relation, or present bullion value, as nearly as can be ascertained, is as 1 to about 15.675.

The reasons for the alteration to be effected by the new Coinage Bill are very well set forth in a communication to the present Congress from the Secretary of the Treasury.

"The relative value of our gold and silver coins is, as already stated, as 1 to 15.988; and the bullion value of our silver coin in England is 15.716 — being a difference of 272 thousandths, or nearly two per cent. It follows, then, as a matter of course, that on all occasions where the course of our foreign trade requires heavy shipments abroad, our silver coin will be first sought after for that purpose, even at a premium, and consequently will disappear from circulation, as it has already done to a very great extent.

"There seems to be but one immediate and direct remedy for this evil; and that is the one which has already been adopted in Great Britain, of changing the relative value between gold and silver coin, by reducing the intrinsic value of the latter. The

opinion of the officers of the mint (in which judicious persons, whose opinions are entitled to great weight, concur) is, that this change could be advantageously made, by making our dollar weigh three hundred and eighty-four grains, and the smaller coins in proportion; so that eight hundred ounces of such coin should be worth by tale exactly $1,000. The director of the mint, in a communication on the subject, says: 'If such a scale of weights were adopted, the relation of silver in such pieces to gold would be as 14.884 to 1; and if the present true relation or bullion value is about 15.675 to 1, the new proposed silver coin would be over-valued by law about five per cent.; a very small advance, and far less than in British silver, or in the worn Spanish coin, which now monopolizes our circulation.'

"In the adjustment of this subject, it will be necessary to consider the depreciation in the value of gold which may have taken place already, or shall hereafter occur, in consequence of the immense additional supplies which have been, and will, no doubt, continue to be, thrown into circulation from California, Australia, and other countries. This consideration might justify a much greater present over-valuation of silver coin, as the future depreciation of gold will probably soon overcome the limit of the present proposed advance.

"If this plan is adopted by Congress, it of course will involve the necessity of making silver coin a legal tender only for debts of small amount — say not exceeding ten dollars, which is about the same limit (forty shillings) which has been established in Great Britain."

We fear the bill will hardly pass at the present session of Congress, for so many speeches to Buncombe have been made in the lower House, and the Presidential election has been so much canvassed, that no time remains except for the transaction of ordinary and indispensable business. It passed the Senate, as we have said, by a unanimous vote; and no opposition has been made to it, we believe, among the Representatives, except by Mr. Brooks. The arguments which he urged against it were such that it is difficult to consider them with gravity. They are directed chiefly against one provision in the Bill which we have not yet noticed; — a clause inserted at the recommendation of the Secretary of the Treasury, requiring a seigniorage to be paid in future on the coinage of gold, not to exceed the actual expense of the coinage, and not to amount, in any case, to more than one per cent. It was estimated that half of one per cent. would suffice for this purpose for the present. Since the

discovery of the California gold washings, the expenses of the principal mint and its branches have been, of course, much increased; and still greater cost will be incurred, if, as is now proposed, two other branch mints are established, one at New York, and the other at San Francisco. The annual expense of coinage is now about three quarters of a million of dollars; the two new branches will raise it to more than a million. A large fund is also kept at the Philadelphia mint, in order to pay depositors at once for the bullion which they may leave there to be coined, instead of obliging them to wait till their own gold is minted. If this fund were applied to extinguish an equivalent amount of the national debt, it would save nearly $400,000 now annually paid in interest. Adding this annual charge to the whole cost of coinage, we have an aggregate of nearly a million and a half, as a gratuity annually made by the nation to the depositors of gold. Of course, so large a bounty attracts to this country a much larger portion of the annual product of the washings than would otherwise come hither. But it does not stay here after it is coined, and it is not desirable that it should stay. The precious metals, in the shape of coin, distribute themselves among the nations of the earth, in exact proportion to the wants of each, just as naturally and inevitably as water finds its level in a pond. If any country has more than its due proportion of them, the prices of commodities are necessarily inflated, the quantity of goods imported is consequently increased, and the gold and silver are then sent abroad to pay for these imports. It would be as unreasonable to expect, that the 125 millions of California gold, which have been coined in our mints during the last two years and a half, should remain in the United States, as it would be in the Californians to wish that the whole product of their washings should be kept within the limits of their own State, for their exclusive use and benefit. Wherever they are unduly accumulated, they undergo a proportionate depreciation, or in other words, cause the prices of other commodities to rise; and they are sent abroad to escape such depreciation. Every steamer that sails for Europe carries off a portion of them; and it is certain that one half, probably two thirds, of what has been gratuitously coined in our mints, has already left us, and gone where it has already

received, or will soon receive, another stamp. A good portion of it is safely lodged in the vaults of the Bank of England. The expense of shaping it into United States coin has been literally thrown away.

The Director of the Mint and the Secretary of the Treasury, therefore, very properly recommended, that a seigniorage, sufficient only to defray the actual cost of coinage, should be imposed, so that no more should be coined than the country really needed. Mr. Brooks vehemently opposes this measure, on the ground that it would cause a larger portion of the gold to be shipped directly from California to Europe. Very well; what if it does? What possible advantage can there be, in bringing hither more gold than we want, transporting it first from San Francisco to New York, thence to Philadelphia, coining it there gratuitously at a heavy expense, carrying it back to New York, and then shipping it off immediately to London or Paris, where it will be melted up as soon as possible, and converted into English or French coins? Why should it not be shipped immediately to the place where it is needed, thus saving the entire expense of coinage, the cost of much unnecessary transportation, and the interest on the whole amount for at least two months' needless delay? Mr. Brooks surely does not suppose, that England will obtain the gold, either as bullion directly from San Francisco, or as coin by way of New York, without rendering a full equivalent for it in other commodities; or that the United States suffer any loss by allowing the miner to exchange his gold for other goods. Gold is only an article of merchandise, like copper, tin, and iron; and, like them, it must be sent to the market where it is most wanted, and where, consequently, it can be sold to the greatest advantage. Would it be good policy, in order to increase the stock of copper in this country, to enact that the pig metal should be manufactured into sheets, plates, and rods at the expense of government, without charge to the owner, who should also receive a free gift of the interest on the whole value of the copper during the time required for its manufacture? Such a law would doubtless bring all the Chilian copper hither, to be put into a form fit for use, and England and France would then obtain their share of it without any charge for the transformation it had undergone.

Mr. Brooks unwisely betrays, in his speech, the true grounds of opposition to the charge of a seigniorage. He says, "I have, in my hands, *remonstrances from the largest express companies*," who do a large and profitable business in transporting gold from San Francisco to New York; and he adds, that he opposes the law, "because the mischievous act would reach our commerce, *our freighting trade at the Isthmus of Panama*, *our insurance offices*, *our bullion dealers at home*, and send the gold and silver in one continuous, overwhelming stream to the British mint." To support this allegation, which is perfectly well founded, he introduces an estimate, furnished by the "express companies" themselves, of the comparative expense of transporting $100,000 in bullion from San Francisco to New York, and from the same place to London, showing a difference of about $600 in favor of the latter route; though, of course, the distance and the risk in this case are greater than in the other. The freight to New York is $2\frac{3}{4}$, while to London it is only $2\frac{5}{8}$, per cent.; the insurance to the former place is 2, while to the latter place it is only $1\frac{1}{4}$, per cent. Really, the carriers of bullion to New York are very modest; they ask the government of the United States to incur an annual charge of nearly a million and a half of dollars, in order that they may receive $4\frac{3}{4}$ per cent. for a service less expensive and hazardous than that for which their brethren in London charge only $3\frac{7}{8}$ per cent. We would suggest a compromise. Let Congress pay "the largest express companies" an annual gratuity of $\frac{7}{8}$ths of a per cent., (the difference of the two rates,) on the whole amount of gold now brought to New York which would otherwise be sent to London, and thus earn a right to charge a seigniorage. The amount cannot be more than fifty millions a year, so that the gratuity would not exceed $437,500; the nation would thus save nearly a million of dollars a year.

Fearing that his pecuniary calculations might fail to convince, the speaker enforces them with some very fervid appeals to the patriotism of his hearers, — to their pride of country, and love of free institutions. He informs them, that the word "seigniorage" is "almost unknown in our country," — that "it is not even of English birth, but comes to us from the French, and is a relic of the

reign of feudality," — that it was "imposed by the old feudal barons as sovereigns in Europe, called *seigneurs*," — that "this relic of feudality exploded, however, long ago," and is now "best known among barbarians;" and, to sum up all, that "seigniorage is fit only for the dominions of the Grand Seignior." We wonder he did not also remind them, that it is akin to the "royalty" which monarchs were wont to levy on the produce of mines, so that it may fairly be deemed to be of kingly origin, and even to have a suspicious savor of Popery. Mr. Brooks is patriotically indignant, that "the golden product of our California miners" should go forth to the world "under the impress of British sovereignty," the glorious stamp of the American eagle being effaced, and the paw of the British lion put in its place. He "hopes to see the day when the rich argosy of silver, now freighted to England under the British flag, will be freighted to New York, under the stars and stripes, increased in quantity ten times over." The force of these patriotic hopes is a little impaired, it is true, by the unlucky allusion to the profits of "the largest express companies." But no matter; the reasoning is none the less patriotic, and *thoroughly American.* The orator ends his speech with this brilliant peroration.

"Above all, for the sake of national honor or of national pride, I beg you to guard your own eagle, your own emblem of sovereignty, from the British lion, and to feel, at least, as the Englishman feels, when he puts the British emblem upon your gold production, at no cost to the depositor, that he is paid, richly paid, for the slight tax on himself, by the universal circulation and dominion he thus gives that British emblem the wide world over, wherever British gold goes, or Briton travels; for the day is coming when the American eagle — I mean no eagle emblazoned on any warlike standard — will thus traverse the world with this British sovereign, and, if I mistake not, in triumph over him, if you throw no obstructions in the path of his victory."

The speaker must have great faith in the credulity of the House of Representatives in Congress assembled, if he supposes that their action can be guided by this patriotic nonsense.

The confident assumption that the propriety of levying a seigniorage is now an exploded fallacy, even among

the governments of the Old World, may be very easily rebutted. In France, at the close of the last century, the charge on gold was fixed at $1\frac{4}{15}$ per cent., and on silver, at $1\frac{7}{24}$ per cent.; at present, it is only $\frac{1}{3}$ per cent. on gold, and $1\frac{1}{2}$ per cent. on silver, being hardly enough to defray the actual expense of coinage. In England, the seigniorage on gold, it is true, is only nominal, being $1\frac{1}{2}$*d.* on the ounce, the Bank being required to pay £3 17*s.* 9*d.* for bullion which is coined into £3 17*s.* $10\frac{1}{2}$*d.*; but on silver, as we have seen, the charge amounts to $6\frac{14}{31}$ per cent., a pound Troy being coined into 66*s.*, of which only 62*s.* are returned to the depositor, the other 4*s.* being retained by the government. Mr. Brooks, indeed, denies that this deduction constitutes a seigniorage; to which the sufficient answer is, that it is always so called by British writers; that the government returns to the depositor only a portion of coin which it manufactures out of his bullion, keeping the remainder to pay for the expense and trouble of the process, and that this is the only description which can be given of a seigniorage; and that the only additional circumstance in this case, — namely, the fact that the government will not coin all the silver that is offered, even at this price, — is of no importance, inasmuch as the seigniorage is levied on the whole amount which the mint sees fit to accept.

This "exploded fallacy" of levying a seigniorage is also defended strenuously by the writers of highest reputation in the science of political economy, — by Adam Smith, McCulloch, and John Stuart Mill, the last-named being a well-known radical reformer, who is not likely to be accused of favoring any "relic of feudality." We can afford room only for a portion of McCulloch's argument in defence of the practice.

"The reasoning of Dr. Smith, in favor of a moderate seigniorage, is quite unanswerable. No good reason has yet been given why those who want coins should not have to pay the expenses of manufacturing them. Coinage, by saving the trouble and expense attending the weighing and assaying of bullion, indisputably adds to the value of the precious metals. It renders them fitter to perform the functions of a circulating medium. A sovereign is of greater value than a piece of pure unfashioned gold bullion of the same weight; and for this plain reason, that while it is equally

well adapted with the bullion for being used in the arts, it is better adapted for being used as money or in the exchange of commodities. Why, then, should government be prevented from charging a seigniorage, or duty on coins, equal to the expenses of the coinage, or, which is the same thing, to the value which it adds to the bullion? Those who contend that the state ought to defray the expense of the coinage, might, with equal cogency of reasoning, contend that it ought to defray the expense of manufacturing gold and silver teapots, vases, &c. In both cases, the value of the raw material, or bullion, is increased by the cost of workmanship. And it is only fair and reasonable, that those who carry bullion to the mints, as well as those who carry it to the jewellers, should have to pay the expenses necessarily attending its conversion into coin."

The fact that government has a monopoly of the coinage, is a point of no importance. It also has a monopoly of the post-office; but it does not follow that it should carry letters for nothing. The proper charge, in both cases, is the actual expense incurred by rendering the service to the holders of bullion or to the writers of letters.

The objections of Mr. Brooks to the other and more important provisions of the New Coinage and Seigniorage Bill are hardly worth considering, except to show how very crude and imperfect notions exist in the community upon the subject of the currency, and how little the general theory of money, the various portions of which are now as easily demonstrated as any propositions in Euclid, is understood. He seems to have a vague idea that the effect of the proposed measure will be to depreciate the currency, or, in the old phrase, to "raise the standard;" and he very properly argues against any such proceeding, as virtually dishonest. He apparently forgets that, in this case, the depreciation [of the gold coins] has already taken place, not by any act of the government, but by natural causes, — namely, the increased supply of bullion from Russia, California, and Australia; and the only question is, how we are to adapt our mixed currency, the balance of which has thus been destroyed, to this new state of things. Because the new bill makes no provision for the manufacture in future of any larger silver coin than the *half*-dollar, and because the two new halves, containing together but 345.6 grains of pure silver, can-

not circulate in company with the old dollar, which contains 371.25 grains, he complains that it will have the practical effect of "abolishing for currency the dollar, the money unit, the very basis upon which the whole currency of the United States now stands and has stood." He forgets that very few silver dollars have ever been coined, and that, practically, they never appear in the circulation. For over thirty years, or from 1805 to 1836, the mint did not issue one of them. But the functions of the silver dollar, as the money unit, do not depend upon its actual presence in the currency, or upon the quantity of pure silver which it contains. They would be discharged equally well, if it were an ideal unit, or if it contained either 200 or 400 grains. He quotes the opinions of several writers, who "have contended that silver is the money of account all over the world, and the fittest to be the standard of value;" but he does not mention that the latest of these opinions is over twenty years old, and was predicated upon a very different state of things from that which now exists, and which, if these writers could have foreseen it, would most probably have reversed their judgment. When there was no reason to believe that the two precious metals were not equally stable in value, the greater abundance of silver caused nearly all writers, who preferred a single standard, to favor its adoption, as the exclusive measure of value. They adopted it solely for reasons of convenience, the higher value of gold forbidding its use for the purposes of small change. Now, the vastly increased supply of gold having brought up all the questions connected with a decline in the value of money, the subject appears in a totally different light, and former opinions respecting it are to be reconsidered.

Mr Brooks argues, that the "degraded or debased" silver coin, which would be issued under the new bill, would drive the present half-dollars and quarters out of circulation. Of course, it would, if any of them yet remain to be driven out. But the point is, that the present and increasing depreciation of gold from natural causes, and the consequent over-appreciation of silver, have already driven out the greater part of our perfect silver coins, and substituted for them the worn and defaced Spanish pieces, which have lost at least 10 per cent. of their nominal

value. Since the establishment of our government, the mint has sent forth over 77 millions of dollars in American silver coin, of which it is probable that not 10 millions now remain in the country. As Mr. Brooks admits that our silver coin has already risen to a premium of $1\frac{1}{4}$ per cent., (more probably to 2 per cent.,) the residue must disappear within a few months, if the new bill does not previously become a law; for a profit of $1\frac{1}{4}$ per cent. is quite enough to tempt the bullion dealers to gather it up very eagerly, and send it abroad. On every million of dollars now sent to Europe, — and we send millions every month, — they might gain $12,500, if they could collect the million in United States silver coin. The question is not, then, whether we shall fall from a silver coinage containing 371.25 grains of pure silver to the dollar, to one which is nearly 7 per cent. inferior to it in value, but whether we shall rise from a worn Spanish currency, which has lost from 10 to 15 per cent. of its value, to one that is degraded only about 5 per cent. We repeat it, the new bill does not, though Mr. Brooks constantly implies that it does, degrade, debase, or depreciate any kind of money. It only recognizes a depreciation that has already taken place, from natural causes, over which human legislation has no control; and it adopts measures to prevent this depreciation from proceeding with irregular or undue rapidity, or from throwing our currency into unnecessary confusion. For proof that the new system is no hazardous experiment, we have the fact that Great Britain adopted it over thirty years ago, during which time, according to McCulloch, it "has been found to answer extremely well," has occasioned no complaint from the people, and has been a complete preservative against the very evil of a debased silver currency under which we are now suffering.

The real purpose in opposing the new bill is to show, "that, if we make any change, it ought to be in the gold coinage, by increasing the weight of the eagle," and allowing the silver dollar, with its present weight of pure metal, to remain undisturbed as the unit of value. This is the very course which we have demonstrated to be highly inexpedient and altogether unjust. It is an attempt, by making silver, instead of gold, the future mea-

sure of value, to prevent the great decline in the value of money, which every one sees to be impending, and to which both Great Britain and France are quietly submitting, not only without resistance, but with apparent gratification. Mr. Brooks has nothing to urge in favor of the attempt except the following extraordinary statement.

> "To make gold the sole measure of value would be to revolutionize investments or obligations of debt, by enabling the debtor to pay in gold perhaps worth only as one to ten, when *he contracted to pay in gold worth as one to sixteen.*"

The misstatement here is very obvious. *The debtor has not contracted to pay gold which shall be worth sixteen times as much as silver;* no such obligation is expressed, none is implied, in his contract. He has simply bound himself to pay as many times 23.22 grains of pure gold as he owes dollars, be the worth of that gold more or less. The law under which he made his contract, and which still exists, declares that the coin containing 23.22 grains of pure gold shall be legal tender for a dollar. Accordingly, to increase the quantity of gold in a dollar, — to declare, for instance, that it should in future contain 30 grains, — unless the declaration were accompanied with a proviso that all debts previously contracted might be discharged by payment of the old coin or its equivalent, would be to violate that clause in the Constitution which forbids the passage of any law impairing the obligation of contracts. A debtor no more insures the future value of the dollars which he promises to pay, than the grain-dealer insures the future price of a cargo of flour, which he sells before it has yet come into port. The contingency of a rise or fall in the value of the article is what the buyer knowingly takes upon himself.

As to the general expediency of the attempt which Mr. Brooks here advocates, we need not repeat the considerations already offered. But there are some particular reasons, why a decline in the value of money, such as is now in prospect, should not be regarded with apprehension in this country, but rather as a great addition to the future sources of our national well-being. As has been mentioned, those countries which have a large national debt are most likely to be benefited by the change.

The burden of taxation will be essentially diminished, while the loss sustained by the fundholders will fall on shoulders that are most capable of bearing it, and will also be distributed among many, and over a long period of years, the frequent changes in the ownership of the stocks, moreover, tending to render their real depreciation almost imperceptible. For this reason, the coming revolution in the monetary world seems to be contemplated without terror in Great Britain; at any rate, no one hints at the expediency of giving up the present exclusive gold standard, which exposes the currency to the full shock of the alteration. Mr. Brooks would find few advocates there of his plan, of making silver the standard, and gradually increasing the quantity of pure metal in the gold coins. Our national debt, it is true, is but small, and what little there is, will quickly be extinguished. But the debts of the individual States are large, amounting in the aggregate to over two hundred millions of dollars, a large portion of which is owned in Europe. There are also stocks to a very large amount, issued by cities, railroads, and other corporations, in which English capitalists have made large investments; while there are no foreign stocks owned in this country. The rate of interest being higher here than in the Old World, European capital has been attracted here in so large quantities, that our annual remittances for interest already constitute no small portion of our exports. We do not call these remittances "a drain upon the resources of the country," as they are often denominated by the unthinking; for the transactions on which they are founded have swelled those resources far beyond the limit which would otherwise have bounded them. Still, it is satisfactory to remember, that, as the coming monetary revolution will operate exclusively to the benefit of the indebted party, our own land will derive more benefit from it, in proportion to our means, than any other country on earth. For this reason, if for no other, Congress ought not to be the first legislative body in the world to make an attempt to resist or evade the great change which Providence is gradually bringing about, through the agency of natural causes.

Since the earlier portion of this article was written,

Congress has adjourned, as we feared, before the House of Representatives had had time to consider and pass the new bill regulating the coinage. It therefore necessarily lies over to the next session. Meanwhile, our silver currency is deteriorating every day, and will soon be reduced to a condition that will call loudly for remedy. No more effectual measure for this end can be contrived, we believe, than that which was prepared, after careful deliberation, and with a full knowledge of the subject, by the advice of the Director of the Mint and the Secretary of the Treasury, and which has already received the unanimous approbation of the Senate.

ART. VI. — *Austria in* 1848–49: *being a History of the late Political Movements in Vienna, Milan, Venice, and Prague: with Details of the Campaigns of Lombardy and Novara: a Full Account of the Revolution in Hungary: and Historical Sketches of the Austrian Government and the Provinces of the Empire.* By W. H. STILES, late Chargé d'Affaires of the United States at Vienna. New York: Harpers. 1852. 2 vols. 8vo.

WE are, perhaps, too near the time of the revolutionary movements of 1848, in Europe, to form a strictly accurate historical judgment of the men and measures of that period. Party passions are still too vehemently agitated, and the truth is seen, if seen at all, through too colored a medium, for the cool examination and impartial conclusion, which are alone of value, as lessons for the instruction of the future. But there are some general outlines, sufficiently discernible, if we will but look with a simple desire to learn. It is, for example, sufficiently evident that there is but a slight analogy between those movements, and the war of the American Revolution, either in the characters of the agents, the motives of the actions, or the aims contemplated; still less, in the condition of the uprising parties, and their preparation for the political condition to which they professed to aspire. Our ancestors were accustomed, from the first settlement of